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NEWS RELEASE

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COMMISSION "STATE OF THE MARKETS" REPORT SIGNALS FUTURE APPROACH TO REGULATION

In an important new document that underscores the Federal Energy Regulatory Commission's increasing focus on the structure and operation of energy markets, as distinguished from the services provided by individual companies, the Commission reports on how natural gas and electricity markets have evolved in the past few years, in both regulated and unregulated sectors. Such baseline information will become increasingly important in judging the beneficial effects of competition, the success of Commission policies, and focusing Commission oversight of markets.

The first report—"State of the Markets 2000"—was sent to Congress in conjunction with the "Annual Performance Report for Fiscal Year 1999," a document required of all federal agencies under the Government Performance and Results Act. The Commission plans to issue a state-of-the-markets report on an annual basis.

These flagship documents, which will play a central role in the Commission's future decision making, will be used to identify how energy markets are working, where there are opportunities for improvement and where problems exist. The effectiveness of the competitive markets it promotes will be among the most important ways that Congress can judge the Commission's performance.

Commented Chairman James J. Hoecker: "The State of the Markets report is a major innovation and should become a permanent fixture in promoting an understanding of how energy markets are evolving. In the future, competition and sound regulatory

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policy will both be built upon a foundation of timely information. That is the condition precedent to less regulatory intervention. Our Report moves us down that road."

The State of the Markets report gives Congress and the public a better picture of these critical aspects of the energy system. It describes the development of competitive commodity markets for electric power and natural gas as well as broad changes in the operation of the interstate transportation networks for electricity, natural gas, and petroleum. It also explains how a series of rulemakings and major cases has helped these parts of the nation's energy system become more competitive. The Commission's actions, the report says, will play a key role in maximizing consumer and economic benefits while minimizing the need for future regulatory intervention.

It is organized into sections on commodity markets, new service availability, price information and market power. In addition to specific performance indicators in each section, the report also conveys background information and discusses methods and data needs for developing better performance indicators.

The "State of the Markets 2000" represents the Commission's first systematic effort to articulate an approach that will allow it to track the indicators of a well-functioning energy market, such as efficiency, transparency, transactional liquidity, ease of entry and exit, and competition. It readily admits, however, that much remains to be done to improve its market analysis and oversight capabilities and the report itself. As the market changes over time, future reports will reflect these changes by adjusting the indicators they examine.

"State of the Markets 2000" and the Commission's annual performance report can be viewed on the Commission's website—www.ferc.fed.us.

